Business studies Unit 1 investigating business
Ao1 Different types of business ownership

The term ownership means how a business is owned, managed, and financed.
There are many different types of ownership. these 6 are the most important.

Sole trader

Eg. McAuleys Newsagents, Noels Pound Coiner, and R.Bell Fishing, sport, and hardware

A sole trader is a business that is owned, managed, and financed by one person.

Advantages
Sole trader is when a business is owned, managed, and financed by o ne person. Eg: everyday newsagents, butchers, and bakery.
Although the business may have many workers, there is only one owner.
It takes very little documentation and is easy to set up a sole trader business organisation.
You would get to choose your own w orking hours and holidays as you would be your own boss. All the profit made goes to the owner.
A good advantage of being a sole trader is that everyone locally knows who you are and therefore you can offer personal services and get a good reputation.
They will also be able to make decisions without consulting other people.

Disadvantages

Sole traders have no one to share the responsibility of running the business with. A good hairdresser, for example, may not be very good at handling the accounts.
There is a limited access to capital because a specific amount money have to be put into the business. There is also the risk of unlimited liability, where the sole trader can be forced to sell personal assets to cover any business debts. Although all the profit goes to the owner, a large amount

of this would go to bills, stock, and paying wages of staff (limited access to capital).
When setting up a sole trader business there tends to be a fair amount of stress and pressure, you will have no time for your family as there are long hours at the start.
You will also have a lot of debt building up as to pay bills etc and not a lot of profit,
Banks will see your business as a very big risk as many sole traders fail within the first couple of months.

Partnership

Eg. Doctors, dentists, and solicitors

A Partnership is a business that is owned, managed, and financed by 2 or more people.

Advantages

There is less time pressure on individual partners and less stress evolved, as there are more people to share the workload.
Sole trader is shared responsibility. This allows for specialisation, where one partner's strengths can complement another's. For example, if a hairdresser were in partnership with someone with a business background, one could concentrate on providing the salon service, and the other on handling the finances.
Due to more people being in the business, they will be able to generate more ideas.
It is quite easy to set up although a contract called a deed of partnership is normally drawn up. This states the type of partnership it is, how much capital each party has contributed and how much they are to get out of the business.

Disadvantages

If one partner wants to leave, then the business would fall. Both partners would be responsible for one partner’s debts. Decisions of partners are binding. The distribution of profits can cause problems. The deed of partnership sets out who should get what, but if one partner feels another is not doing enough, there can be dissatisfaction. A partnership, like a sole trader, has unlimited liability.

Private limited companies (LTD)

Eg; Dallat Grop, The Marine Hotel

A business generally ran by family, they usually have 2 shareholders.

Advantages

There is a divorce between ownership and control.
It is easier to raise capital due to having shareholders and banks are more inclined to lend the business capital.
the legal position of the company is completely unaffected by the death or retirement of one of its shareholder, Shareholders enjoy the privilege of limited liability, which means they are only liable to meet the debts of the company only to the extent that thy have invested into the business.